

# General Fund Assumptions

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## Revenue Assumptions:

### Revenues (overall) ...

- ❑ were negatively impacted by a number of factors in 1999, many of which will carry forward into the current year and even into 2001. These factors are referenced in the appropriate sections below.
- ❑ will grow at 2.6% annually through the planning period (2001-2005). Through the decade of the 90's, on an actual basis, revenues increased an average 2.5% annually.

### Current property taxes ...

- ❑ in 2001 and 2002 will grow at 9% and 4% annually, slowing to 3% annually in 2002 and beyond. **No change in the taxing rate is assumed.**
- ❑ are heavily affected in the current year (and in 1999) by annexation activity, much of which is only now being reflected in assessed valuation due to a processing lag.
- ❑ relate directly to assessed valuation, which reflects the following historical budget year growth rates:

Year	City	County
1991	3.7%	2.4%
1992	0.3%	2.6%
1993	2.1%	2.8%
1994	-1.5%	-0.5%
1995	2.7%	2.7%
1996	1.1%	2.7%
1997	3.8%	4.1%
1998	4.5%	6.0%
1999	4.9%	5.1%
2000	7.9%	6.0%
10 yr avg	3.0%	3.4%

Two noteworthy facts are that countywide growth historically is greater than the growth of Wichita (especially if annexation growth is excluded), and growth has exceeded 4% only three times throughout the 90's decade – the most recent three years. This recent growth, reflecting strong demand for housing, has been the product of low mortgage rates and strong growth in the job market, particularly the manufacturing segment, in 1996, 1997 and 1998. In 1999, however, employment fell three-tenths of a percent (0.9% in manufacturing) and fixed rate mortgage rates increased from 6.5% to 7.5%. It is unlikely that assessed values, exclusive of annexation activity, will continue to increase at these extraordinary rates.

### Franchise fees ...

- ❑ for utilities as a group are projected to increase at an annual average rate of 2.5% through the planning period. The actual annual growth rate since 1996 has been 1.9%.
- ❑ assume normal climate and weather patterns.
- ❑ reflect a decrease (1.8%) for water fees in 2000 due the unusually wet climate in 1999, resulting in reduced water usage/sales (water and sewer franchise fees are based upon activity from the previous year).
- ❑ have been significantly impacted by the phased-in 11.4% electricity rate reduction that was fully implemented in 1999. Western Resources electric utility franchise fees represent 49% of the total franchise fee revenue.

### Motor vehicle property taxes ...

- ❑ in 2000 are estimated based on the final year of a five year graduated reduction in assessed value that was approved by the State Legislature in April 1995. Beginning in 1996, the assessment ratio on motor vehicles was reduced from 30% to 20% by the following annual increments: 1.5%, 2%, 2%, 2%, and 2.5%. As the base becomes smaller each year the incremental reduction becomes proportionally larger. In 1996 the reduction was 5% ( $1.5\% \div 30\%$ ). In 2000 the reduction is more than 11% ( $2.5\% \div 22.5\%$ ). Until recently, the reduction has generally been offset by growth in the appraised value of vehicles. The City will receive a corrective payment in 2000 of \$770,000 (\$510,000 in the General Fund) that should have been distributed in 1999. Exclusive of the extra payment, the net impact on motor vehicle revenue in 2000 after growth (including annexations) and changes in assessment ratios is expected to be 4.3%.

### Local sales taxes ...

- ❑ are expected to increase an average 3.3% annually through 2005. Actual annual growth since 1995 has been 3.7%.
- ❑ collected in 1999 were less than the amount collected in the previous year for the first time since the tax was initiated in Sedgwick County. Factors contributing to this are:
  - 1) 1999 was the first full year in which labor used in residential remodeling was exempted;
  - 2) utility consumption was significantly less due to moderate climate conditions during the winter and summer months; and
  - 3) internet sales are not subject to the sales tax.

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## Gas tax revenues ...

- ❑ are volume based on wholesale gallons sold. Recent high prices are expected to lower sales in the current year, but the long-term forecast assumes an average 3% annual growth, consistent with historical trends.
- ❑ will be partially muted in 2001 by the state's proposed demand transfer reduction of 7.5% on that portion of the gas tax (32%) that is received through the Special City and County Highway Fund.

## State-shared revenues ...

- ❑ come primarily from state sales tax revenue, a portion of which is set aside for distribution to local governments (called "demand transfers").
- ❑ will be severely impacted in 2001 by the state's proposed 6.5% reduction in demand transfers (7.5% for gas tax) and are not expected to be increased more than 3% annually thereafter.

## Fines and penalties...

- ❑ have been substantially reduced as a result of pending litigation (initiated in the fall of 1999) regarding fine collection procedures. Collections were down 1.7% in 1999 and are expected to decrease an additional 15% in 2000 (based upon collections to-date).

## Licenses and permits ...

- ❑ are budgeted to increase 2% annually.
- ❑ will be reviewed individually to identify areas where increasing costs of enforcement and administration justify rate adjustments.

## Current sales and services ...

- ❑ are assumed to grow an average 2% annually through the planning period (2001-2005).

## Administrative charges ...

- ❑ are reviewed by an external accounting firm and revised annually during budget development.

## Transfers in ...

- ❑ are reviewed during the budget process and many items are adjusted to reflect changes in costs.
- ❑ are markedly higher on a budgetary basis (vs. actual) because many of the transfers are designed to exactly offset certain expenses. If the actual expenditures are less than budgeted, the offsetting revenue transfer is also less.

## Interest earnings ...

- ❑ assume a 5% return rate in the General Fund.
- ❑ are calculated based on estimates of fund balance and cash flow.

## Expenditure Assumptions:

### Expenditures (overall) ...

- ❑ will increase at a rate slightly greater than the rate of increase for revenues over the entire planning period.
- ❑ are significantly impacted by the expiration of federal grants. Grant support for the public safety initiative peaked in 1998 and has been declining sharply since. There is a significant shift in 2001 from a public safety transfer (for a grant match) to absorbing the full amount of the program as a regular public safety expenditure (primarily personal services).

### Personal services ...

- ❑ represent 66% of General Fund expenditures.
- ❑ will grow 5.1% annually between 2000 and 2005 (including base wages, employer benefit contributions for pension and health insurance, and absorption of previously grant-funded positions).
- ❑ assume a 10% increase in health insurance costs for 2001 and again for 2002.

### Operating transfers out ...

- ❑ include contributions to the joint City-County operations, the Transit subsidy, Tort liability, Art Museum and the local match for various grants (i.e., public safety).
- ❑ are generally expected to increase at 3% each year.

### All other operating expenditures ...

- ❑ are projected to increase overall at an average annual rate of 2%, slightly less than the 2.4% inflation estimates from the WSU Center for Economic Development and Business Research (CEDBR) and the Congressional Budget Office.

### Fund Balance (December 31) ...

- ❑ under the revenue and expenditure assumptions above, is shown to be at 13% of annual expenditures in 2000-2001, 12% (2002 and 2003), 11% (2004), and 8% (2005).
- ❑ will completely sustain current operating expenses, subsidies, and pending initiatives for the entire trending period.